

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC)	
SERVICE COMMISSION OF THE)	
APPLICATION OF THE FUEL ADJUST-)	
MENT CLAUSE OF KENTUCKY)	CASE NO. 9732
POWER COMPANY FROM)	
NOVEMBER 1, 1984, TO)	
OCTOBER 31, 1986)	

O R D E R

Pursuant to 807 KAR 5:056, Sections 1 (11) and 1 (12), the Public Service Commission ("Commission") issued its Order on November 12, 1986, scheduling a hearing to review the operation of the fuel adjustment clause of Kentucky Power Company ("Kentucky Power") for the past 2 years and to determine the amount of fuel cost that should be transferred (rolled in) to the base rates in order to reestablish the fuel clause charge in accordance with 807 KAR 5:056, Section 1 (2).

In response to the Commission's requests for information, Kentucky Power proposed to leave its base fuel cost of 17.40 mills per KWH unchanged. However, Kentucky Power selected September 1986 to test the reasonableness of its present base fuel cost [F(b)] and KWH sales [S(b)] components of the fuel adjustment clause. Kentucky Power provided all requested information and, following proper notice, a hearing was held on February 10, 1987.

The sole intervenor in this case was the Utility and Rate Intervention Division of the Attorney General's Office ("AG"). The AG did not offer testimony, and on cross-examination did not challenge the level of actual fuel cost included in Kentucky Power's monthly fuel filings, or the proposed base fuel cost of 17.40 mills per KWH.

In establishing the appropriate level of base fuel cost to be included in Kentucky Power's rates, the Commission must determine whether the proposed base period fuel cost per KWH is representative of the level of fuel cost currently being experienced by Kentucky Power. The Commission's review of generation mix, unit outages and unit availability disclosed that September 1986 was a reasonably representative generation month for Kentucky Power. The Commission's analysis of Kentucky Power's monthly fuel clause filings shows that the actual fuel cost incurred for the 2-year period ended October 31, 1986, ranged from a low of 15.00 mills per KWH in October 1985 to a high of 19.96 mills per KWH in November 1985 with an average fuel cost for the 2-year period of 17.29 mills per KWH. The Commission is of the opinion that Kentucky Power has complied with 807 KAR 5:056, and that the base period fuel cost of 17.40 mills per KWH should be approved.

The Commission, having considered the evidence of record and being advised, finds that:

(1) Kentucky Power has complied in all material respects with the provisions of 807 KAR 5:056.

(2) The test month of September 1986 should be used as Kentucky Power's base period to test the reasonableness of its current base fuel cost.

(3) Kentucky Power's proposed base period fuel cost of 17.40 mills per KWH should be approved.

(4) The base fuel cost of 17.40 mills per KWH is the same base fuel cost currently included in Kentucky Power's base rates.

IT IS THEREFORE ORDERED that:


(1) The charges and credits applied by Kentucky Power through the fuel adjustment clause for the period November 1, 1984, through October 31, 1986, be and they hereby are approved.

(2) Kentucky Power's proposed base period fuel cost of 17.40 mills per KWH be and it hereby is approved.

(3) The base rates set forth in Kentucky Power's current tariffs shall remain unchanged.

Done at Frankfort, Kentucky, this 14th day of April, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director